

MIMAKI ENGINEERING CO., LTD.

6638

Tokyo Stock Exchange Prime Market

24-Jul.-2024

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<https://www.fisco.co.jp>

■ Index

■ Summary	01
1. Development-driven company providing integrated services through manufacturing and sales of industrial inkjet printers and other products	01
2. Strength lies in complex technological base, including chemical products such as ink	01
3. By strengthening sales activities and improving profitability, expecting double-digit increase in operating profit in FY3/25 for a new record high	01
4. FY3/25 seen as a year of evolution toward the next generation Mimaki, with Mimaki V10 in sight	02
■ Company overview	03
1. Company overview	03
2. History	03
3. Features of main products	05
■ Business summary	07
1. Business description	07
2. Global expansion	09
3. Strengths	10
■ Results trends	12
1. FY3/24 results	12
2. Trends in net sales by market and area	13
3. FY3/25 results outlook	15
■ Medium- to long-term growth strategy	17
1. Medium- to long-term growth strategy Mimaki V10	17
2. Management aware of capital costs and the stock price	18
■ Returns to shareholders	19

Summary

Strengthening management aware of capital costs and the stock price toward Mimaki V10

1. Development-driven company providing integrated services through manufacturing and sales of industrial inkjet printers and other products

MIMAKI ENGINEERING CO., LTD. <6638> (hereafter, also “the Company”) is a development-driven, integrated manufacturing and sales company whose main products are industrial inkjet printers, cutting plotters, and inks and other printer consumables. The Company engages in three main markets; Sign Graphics (SG; manufacture of billboards and signs), Industrial Products (IP; decoration of industrial products and small consumer items), and Textile and Apparel (TA; printing and coloring of fabrics and ready-to-wear clothing). The Company has a globalized business, with an overseas sales share of around 70%. The replacement cycle in each market is 4–5 years, which means the Company has an earnings structure whereby it can increase net sales every year by releasing new products in rotation. In the industrial printing market, although the share of digital printing is growing in the SG market, it is only 5–10% in other markets, which can be said to offer considerable scope for growth.

2. Strength lies in complex technological base, including chemical products such as ink

The Company’s strength lies in its complex proprietary technological base in industrial printers. It develops its own ink products with the aspiration of creating inks that “print on anything other than water and air.” These high-performance inks capable of printing on diverse materials are a point of difference when selling inkjet printers in a broad range of markets. In addition, they provide stable revenue as a consumables business. The Company’s strength is not limited to the inks. It boasts sophisticated control technologies for positioning on X- and Y-axes and for the printhead which discharges the ink. Moreover, the printers enable make-to-order production through a digital on-demand printing method. It can also provide one-stop solutions for high-mix low-volume product needs. Its Factory Automation (FA) technologies help factories to improve as smart factories. Both local and global sales capabilities underpin the Company as well. We note that the Company does not manufacture its own printheads, but this has proved to be a strength, because it enables optimal procurement from the market according to changing needs.

3. By strengthening sales activities and improving profitability, expecting double-digit increase in operating profit in FY3/25 for a new record high

In FY3/24 net sales reached ¥75,631mn (up 7.1% YoY) and operating profit reached ¥5,480mn (up 29.2%) for a new record high. On the sales front, printers for the Sign Graphics (SG) market, which grew in FY3/23, and printers for the Industrial Products (IP) market declined, but direct-to-film (DTF) machines deployed on the Textile and Apparel (TA) market sold well, especially in developed countries. Ink sales were also steady. As for profit, there was a large gain. While it was influenced by high-cost materials such as semiconductors procured in FY3/23, price revisions and the exchange rate positively affected the performance. In its results forecasts for FY3/25, the Company is projecting net sales of ¥80,800mn (up 6.8% YoY) and operating profit of ¥6,500mn (up 18.6%). Through strengthening sales and other activities, the Company is anticipating higher net sales in all markets. In addition, there has been further use of high-cost materials, so a double-digit increase in operating profit is expected.

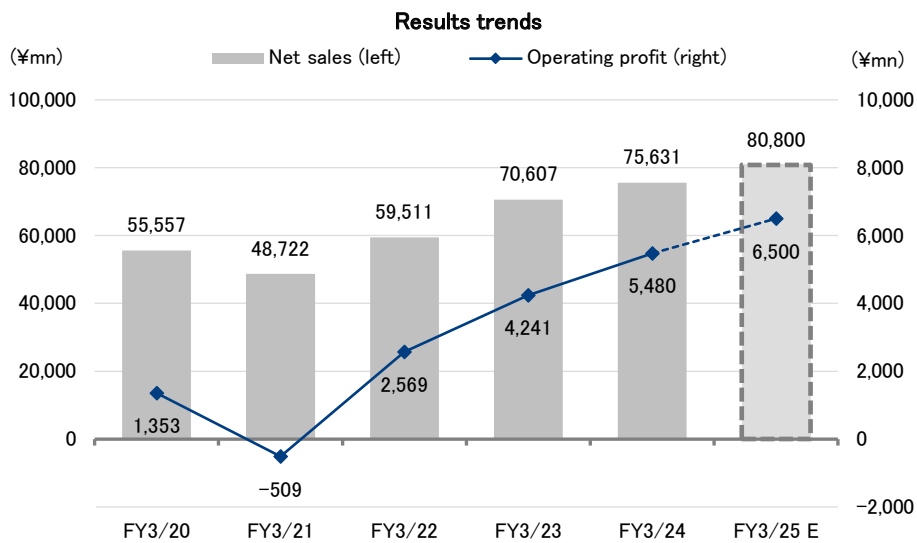
Summary

4. FY3/25 seen as a year of evolution toward the next generation Mimaki, with Mimaki V10 in sight

The goals of Mimaki V10, the Company's medium- to long-term growth strategy, have come into view. For instance, operating margin is rising toward 10% with double-digit profit growth continuing. For this reason, the Group's management policy for FY3/25 has been set as "Ever Evolving." To practice this policy as well, it will strengthen management aware of capital costs and the stock price and work to improve ROE, ROIC and PER. Specific measures are: 1) Improve earnings by achieving the targets of Mimaki V10, 2) Make strategic investments for future growth, 3) Strengthen the financial foundation by bringing inventory and borrowings to appropriate levels, 4) Introduce an executive remuneration plan that contributes to higher corporate value, 5) Pay a stable and continuing dividend based on the Company's shareholder return policy, 6) Reduce capital costs by promoting engagement with investors. To steadily carry out these measures, the Company restructured its organization and worked to enhance corporate functions.

Key Points

- A development-driven company offering one-stop manufacturing and sales of proprietary industrial inkjet printers and other products
- By strengthening sales activities and improving profitability, expecting continued double-digit increases in operating profit in FY3/25
- Set "Ever Evolving" as management policy and plans to strengthen management aware of capital costs and the stock price



Source: Prepared by FISCO from the Company's financial results

■ Company overview

Leading manufacturer of industrial inkjet printers

1. Company overview

MIMAKI ENGINEERING is a major company for industrial inkjet printers. It develops, manufactures, sells, and services, on a one-stop basis, inkjet printers and also cutting plotters, 3D printers, and the ink and software used in such products. As a development-driven company, its ultimate goal in development is to create products that “print on anything other than water and air.” With the vision of always providing “something new, something different,” it constantly launches cutting-edge, unique products with high added value to the markets. Its three main markets are Sign Graphics (SG), which supports manufacturers of billboards and signs, Industrial Products (IP), used for the decoration of industrial products and small consumer items, and Textile and Apparel (TA), used for printing and coloring of fabrics and ready-to-wear clothing. The Company has a globalized business, with an overseas sales share of around 70%, driven by strong local sales capabilities.

Continues to evolve by harnessing pen plotter technologies

2. History

MIMAKI ENGINEERING was founded in August 1975 in Nagano Prefecture to assemble crystal oscillators for clocks and watches. It developed its own A2-size flatbed pen plotter in 1983 and launched under the Hokusai trademark pen plotters acclaimed for numerically controlled drawing of beautiful circular arcs. Moving into manufacture and sales of large plotters with the brand, the Company made the shift from manufacturing electronic parts to the development and manufacture of products harnessing pen plotter technologies. It released a cutting plotter using the eccentric cutting method in 1987 and an inkjet printer using water-based pigment inks in 1996—both world firsts. The Company continued to develop products with high added value, established a nationwide sales network, and expanded overseas. Accordingly, it continued to grow at a steady pace, but growth stalled during the COVID-19 pandemic. The Company has since staged a V-shaped recovery from the pandemic by implementing its medium- to long-term strategy, Mimaki V10, and has entered a new growth phase.

Company overview

History

Date	History
August 1975	MIMAKI ENGINEERING founded in Kitamimakimura, Kitasaku District (now Tomi City), Nagano Prefecture as a private limited company
October 1976	Began assembly of precision parts of crystal oscillators for watches and clocks
March 1979	Opened Tokyo Sales Office
May 1981	Reorganized into a stock company MIMAKI ENGINEERING CO., LTD.
December 1983	Started development of the A2 flatbed pen plotter (RY-1003) for OEMs
February 1985	Started sales of the A2 flat pen plotter under the Hokusai trademark
March 1986	Started operation of the Kazawa Factory
June 1986	Opened the Osaka Sales Office (subsequently opened sales offices throughout Japan)
March 1987	Started sales of the world's first cutting plotter using the eccentric cutting method
April 1989	Withdrew from precision parts business
July 1995	Founded MIMAKI ENGINEERING (TAIWAN) Co., Ltd. in Shengang District, Taichung City, Taiwan (thereafter began establishment of subsidiaries around the world)
October 1996	Started sales of the world's first inkjet printer using water-based pigment ink
October 1998	Started sales of the world's first piezoelectric textile inkjet printer
September 2002	Started sales of the world's first high-resolution, low-priced eco-solvent inkjet printer
October 2003	Opened the Nagano Development Center in Nagano City, Nagano Prefecture
March 2004	Started sales of the world's first inkjet printer with UV-curable white ink
April 2004	Founded MIMAKI PRECISION Co., Ltd., splitting off part processing business
June 2004	Made WIZTEC Co., Ltd. a subsidiary
September 2004	Acquired Bokuya Factory in Tomi City, Nagano Prefecture
April 2005	Opened the Technical Call Center providing comprehensive support for users in Japan
April 2006	Made GRAPHIC CREATION Co., Ltd. a subsidiary
March 2007	Listed on JASDAQ Securities Exchange
February 2010	Started sales of world's first low-cost, desktop UV LED curable inkjet printer
March 2015	Listing change to Tokyo Stock Exchange First Section
May 2015	Opened the Hachioji Development Center in Hachioji City, Tokyo
July 2015	Started sales of world's first sublimation inkjet printer with high-gap printhead Absorption-type merger with WIZTEC Co., Ltd.
July 2016	Opened the JP Demonstration Center in Shinagawa-ku, Tokyo and TA Lab Center at headquarters at Tomi City, Nagano Prefecture
August 2016	Opened IP Lab Center at headquarters at Tomi City, Nagano Prefecture
November 2017	Started sales of the world's first UV LED 3D inkjet printer capable of full-color modeling using more than 10 million colors
October 2018	Made ALPHA DESIGN CO., LTD. a subsidiary
November 2018	Made LUCK'A Inc. a subsidiary
May 2019	Started sales of large flatbed UV LED curable inkjet printer
March 2020	Started sales of roll-fed UV-curable inkjet printer
November 2020	Started sales of compact full color UV inkjet 3D printer
December 2020	Started sales of roll-to-roll inkjet printer
February 2021	Started sales of sublimation transfer inkjet printer
September 2021	Started sales of UV LED curable inkjet printer/high-performance model
February 2022	Started sales of flagship eco-solvent inkjet printer
March 2022	Made Microtech corp. a subsidiary
April 2022	Listing change to the Tokyo Stock Exchange Prime Market
April 2023	Started sales of new type of large flatbed UV LED curable inkjet printer Started sales of the first direct-to-film (DTF) printer TxF150-75, along with the dedicated DTF heat transfer ink PHT50

Source: Prepared by FISCO from the Company's website and other data

Promoting the digitalization of printing

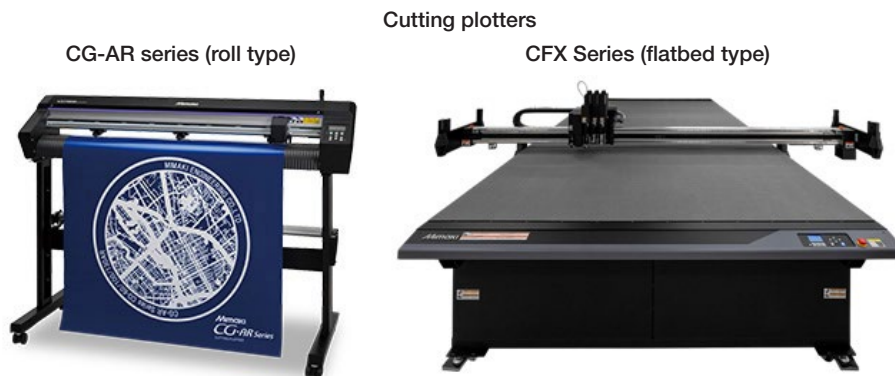
3. Features of main products

(1) Cutting plotters

Cutting plotters are machines that can cut film and other materials in any shape designed on a computer using a knife attached to a plotter*. They are used for making stickers, posters, and signs. Cutting plotters are an evolution in sign production from the traditional method of characters hand-drawn by artisans, reducing the process to cutting and sticking, and played a big role in the digitization of sign-making. Not only do they replace skilled artisans, but they also make outdoor signs far more durable. Film does not fade for several years, unlike paint, which starts to fade after a year.

* Pen plotters are used in the drawing and design of structures and machinery using X/Y data. Plotters with tools other than a pen attached are called penless plotters, and those with a knife attached to cut film and other materials are called cutting plotters.

The cutting plotter that the Company started selling in 1987 was the first in the world to adopt the eccentric cutting method. It was well received, because it could cut complex Chinese characters quickly without moving the cutter up and down, helping to raise the profile of the Company's products on the sign-making floor. Even today, when graphical signs using inkjet printers have become mainstream, the Company's cutting plotters continue to operate as essential equipment in factories around the world for processes such as cutting rubber sheets for heat transfer used in printing T-shirts. There are two categories of cutting plotters—roll type and flatbed type. The roll type cuts rolled sheets, while the flatbed type places the material on a bed to cut. The flatbed type can cut materials that are too thick or rigid to roll up.



Source: Company's website

Company overview

(2) Industrial inkjet printers

Industrial inkjet printers function in the same way as home-use printers, printing by discharging dots of ink onto a material, but are used for different purposes. Home-use printers print text and photos onto paper, whereas industrial printers print on a diverse range of materials from plastic and glass to wood and fabrics. There is also a difference in size—home-use printers mainly print on small, A4-size paper, but industrial printers can print on large boards up to approximately 7.3m² and three-dimensional fixtures. Accordingly, industrial printers are more expensive with a big price range (approximately ¥1mn to ¥15mn) depending on print speed and size, type of ink used, etc., while home-use printers cost several ten thousand yen. Home-use printers use water-based ink, but industrial printers use a wide variety of inks depending on the material. Many of those functional inks prove their qualities such as chemical resistance, water resistance, durability, lightfastness, and abrasion resistance as they do not fade in outdoor conditions, run in water, or rub off when scrubbed.

Analog printing is time-consuming and entails inventory risk and platemaking costs. Industrial printing is now mainly digital on-demand printing (print only what you need, when you need it) as a result of digitization, because industrial inkjet printers do not require printing plates. Digital on-demand printing is a popular solution to diversifying needs in many industries. Unlike traditional analog printing that assumes large-volume production, sales, and consumption, it can respond to high-mix low-volume orders with short lead times at low cost. Further, industrial inkjet printers are more environment-friendly than analog printers (which require wastewater treatment after the plate cleaning process). The industrial inkjet printers discharge ink only on the design portion, which means they require a small amount of ink to print as well as produce minimal effluent. They are thus considered a promising ecological production method that fulfills contemporary needs. Industrial inkjet printers also come in two categories—roll type and flatbed type.

Industrial inkjet printers

UCJV330 Series (roll type)



JFX600-2531 (flatbed type)



Source: Company's website

Business summary

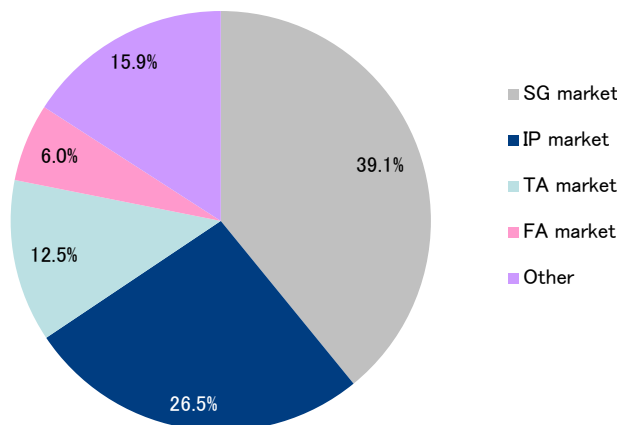
Engages in SG, IP, and TA markets

1. Business description

The Company's businesses are segmented by product and market (industries in which the products are sold). There are three main markets: Sign Graphics (SG), which supports the manufacture of billboards and signs; Industrial Products (IP), used for the decoration of industrial products and small consumer items; and Textile and Apparel (TA), used for printing and coloring of fabrics and ready-to-wear clothing. Products that benefit from the Company's technologies are all around us, because many final products are familiar consumer items such as printed matter, signs, smartphone cases, electric appliances, and clothing. The Company is quick to identify needs in each market and supply new products with a specific target. The replacement cycle in the SG, IP, and TA markets is approximately 4–5 years, which means the Company has an earnings structure whereby it can increase net sales every year by releasing new products in rotation in each market on a yearly basis.

Digitization is progressing in industrial printing, but although digital printing has a large weighting in some areas such as display graphics (including signs), many other large markets still mainly employ analog printing, such as textiles, furniture, interiors, and package labels. Thus, digital printing's average share of all industrial printing is a mere 5–10%, which suggests that industrial inkjet printers have huge growth potential. There is also further scope for expansion, such as the introduction of FA systems and contributing toward smart factories. Competitors are U.S. manufacturers and domestic manufacturers of printer peripherals. Although some Chinese manufacturers also appear to be producing industrial inkjet printers, the Company has excluded them in market share estimates because of the shortage of industry data, the small scale of most Chinese competitors, and inferior ink quality. In this context, the Company's net sales are increasing sharply in the IP and TA markets, where volume production and low-added-value analog printing had been the norm, because high-added-value, digital on-demand printing has spread in response to the growing need for high-mix low-volume manufacturing in these industries. The IP and TA markets are continuing to grow as the second and third earnings pillars for the Company alongside the SG market.

FY3/24 net sales breakdown by market

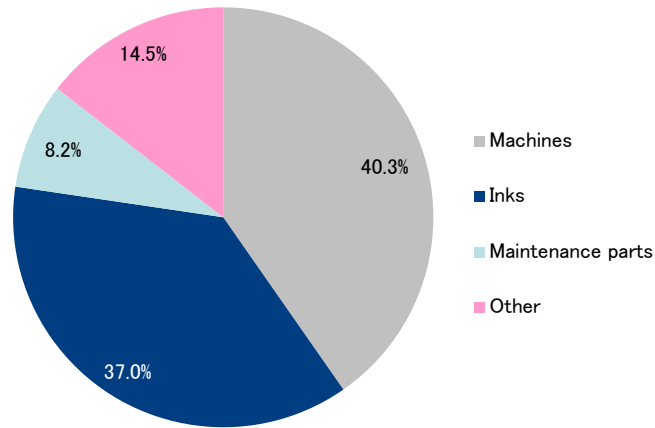


Source: Prepared by FISCO from the Company's financial results

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Business summary

FY3/24 net sales breakdown by product



Source: Prepared by FISCO from the Company's financial results

(1) Sign Graphics (SG) market

In the SG market, materials such as PVC sheets, banner sheets, and window films are used for printing on billboards, window graphics, car wrapping, and soft signage. MIMAKI ENGINEERING has the world's second-largest share of the large inkjet printer (up to 160cm) market at 27.2% in 2022. In areas where digitalization is relatively advanced, the three top companies, including MIMAKI ENGINEERING, have roughly 80% market share.

(2) Industrial Products (IP) market

In the IP market, the Company's products harness the properties of UV-curable inks, which can print on various materials including plastics, acrylics, glass, metal, and wood for use on industrial products like automobile instrument panels and remote controls for home appliances, and smaller items such as smartphone cases, toys, and novelty items. In 2010, a time when the average price of these printers exceeded ¥10mn, the Company released a new product with a much lower price of ¥3.3mn, which helped to increase its market share. As a result, the Company had top world market share in desktop UV flatbed printers at 63.9% in 2022. Although its competitors also use UV-curable inks because of their strength in enabling progress of digitization without needing to choose materials, MIMAKI ENGINEERING's commercialization of its UV-curable inks differentiates itself with expertise to respond to market needs (including knowledge of the chemical field) fostered over 20 years.

(3) Textile and Apparel (TA) market

Products for the TA market are used to print on textiles (fabrics before sewing) such as polyester, rayon, cotton, and silk as well as ready-to-wear clothing. Final products include fashion apparel, sportswear, sneaker uppers, interiors, and fabrics. According to the Company, it developed the world's fastest sublimation transfer inkjet printer in 2012, which was adopted by major fashion brands worldwide. This spurred sales growth, and today, the Company has the second-largest world market share (19.4% in 2022) in sublimation transfer inkjet printers. They contribute to space saving and cleanliness in working environments at low cost.

MIMAKI ENGINEERING CO., LTD.

6638 Tokyo Stock Exchange Prime Market

24-Jul.-2024

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Business summary

(4) Other businesses

As well as industrial inkjet printers and cutting plotters, the Company engages in the 3D printer and FA businesses. It manufactures 3D printers with full-color modeling of over 10 million colors and very large-size modeling of up to 1.8m tall for product designs, figures, and three-dimensional signs. The FA business is based on vector and mechatronics technologies, automating production processes for printing (loading in, printing, coating, and loading out) with an on-demand type digital coating machine.

(5) Opportunities in the IP and TA markets

Although volume production had been the mainstay of production floors in the IP and TA markets, the shift to manufacturing multiple product items and shorter product cycles has led to a growing need for high-mix low-volume production. Digital on-demand printing using the Company's products does not require printing plates, and prints only what you need, when you need it. This enables high-mix low-volume production with short lead times at low cost. Digital on-demand printing also helps to differentiate products and make them more profitable by adding value such as character, creativity, and seasonal features. In addition, they ensure a space-saving and clean working environment, which means production is possible near major cities closer to where consumers live, thereby reducing the time and cost of distribution. The Company's productivity and environmental advantages in digital printing are not limited to specific markets such as IP and TA but are seen as benefits that can be exhibited across many industries.

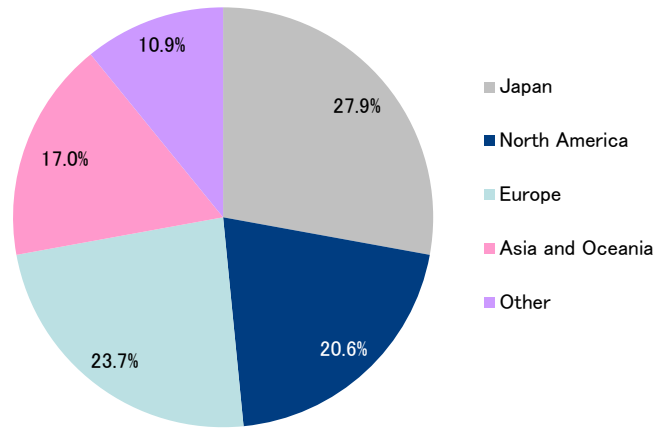
Continuing high growth, targeting the world

2. Global expansion

MIMAKI ENGINEERING is proactively opening subsidiaries in emerging economies like China and Brazil as well as developed economies in Europe and North America. Today, the Company provides products and services in the SG, IP, and TA markets in about 150 countries worldwide. It has also taken the lead in establishing sales and maintenance networks rooted in each local area, which allows it to obtain concentrated customer information in real time so that it can reflect various needs quickly in product development. The Company holds its own private mini-exhibitions around the world, which are hands-on promotional events where participants can see, touch, and experience its products. It actively uses these events as opportunities to make specific proposals. As a result of these measures, the Company has a very high overseas sales share of around 70%, which continues to increase fast.

Business summary

FY3/24 net sales breakdown by area



Source: Prepared by FISCO from the Company's results briefing materials

Strengths also include high-performance inks and printhead control technologies

3. Strengths

As well as production technologies for cutting plotters and industrial inkjet printers, the Company excels in its complex technological base, including chemical technologies for developing various inks according to the material, and printhead control technologies for stable discharge of specialty high-performance inks for excellent printing output. In particular, the Company develops its own inks according to customers' applications, with the aspiration of creating inks that "print on anything other than water and air." Its extensive range of original inks include solvent ink and water-based pigment ink for the SG market, UV-curable inks (hard inks, soft and flexible inks) for the IP market, and water-based sublimation, acid-dye, reactive-dye, textile pigment, disperse-dye, and heat transfer (direct-to-film only) inks for the TA market.

The most promising of these products are UV-curable and water-based sublimation inks. UV-curable inks immediately harden and set when exposed to ultraviolet rays. Since the ink hardens immediately after discharge, lead times can be much shorter. The Company's extensive lineup of UV-curable inks can be used for diverse applications and media, from the decoration of small items to building and industrial design. These inks can print on non-absorbent surfaces such as resins, glass, and metal as well. Some of the Company's UV-curable inks have obtained GREENGUARD Gold certification from UL, a U.S. third-party safety science organization. Water-based sublimation ink has revolutionized the quality of printing on polyester materials, because it instantly sublimates and attaches to the medium under high temperature. The Company offers a wide range of black colors with subtle tones as well. It also offers low-cost, direct sublimation printing with reduced environmental impact by combining sublimation transfer printing, which excels in vivid and beautiful coloring and image quality, with machine technologies. Some of its water-based sublimation inks have obtained ECO PASSPORT certification from OEKO-TEX®, an international community of research and test institutes headquartered in Switzerland.

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MIMAKI ENGINEERING CO., LTD.

6638 Tokyo Stock Exchange Prime Market

24-Jul.-2024

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Business summary

The Company's range of high-performance inks that can print on diverse materials makes a point of difference by adding value to the main printer unit when selling inkjet printers in various markets such as SG, IP, and TA. Ink sales are generated only in markets where printers are sold, but as a consumable business, ink provides stable revenue. Inks account for over 35% of the Company's net sales with the same gross profit margin as for printers (we think the operating profit margin is slightly higher considering operating expenses for promotion, etc.). The Company seeks a stable, long-term business instead of selling low-priced printers and then earning a large profit quickly from sales of consumables with a high profit margin as is the case with home-use printers.

The Company does not manufacture its own printheads, which discharge the ink onto the material, because it believes it makes more sense to procure the most suitable heads from the market to achieve stable discharge of high-performance ink that fulfills customer needs and beautiful print output. Moreover, this can lead to development of new products through a market-in approach. Here, the control technologies for various printheads are critical for development. The Company has developed its proprietary control technologies and accumulated the know-how that now lies as the foundation. Leveraging its complex technological base as outlined above, the Company has devised a printer manufacturing process flow as follows. 1) Develops various, original high-performance inks to fulfill customer needs. 2) Selects the most suitable printhead for each high-performance ink. 3) Achieves high image quality and productivity using its technologies to control the printhead and ink. 4) Grows with its customer by releasing the optimal printers for each market.

The Company has grown by applying the know-how and production flow expertise gained in the SG market to the IP and TA markets. While UV printing boasts various advantages such as being capable of printing white, which represents coloring challenges, deploying UV inks which can be eco-friendly, printing on most materials, as well as it is adapted to high-mix low-volume production, 3D printing is a promising business. Printers have entered a new stage after full-color modeling of 10 million colors became possible and color 3D data has become easier to obtain. Especially in genres that harness augmented reality (AR) and virtual reality (VR), this field is expected to grow fast amid the proliferation of 3D software and peripheral equipment. In addition, it is going to benefit from possessing FA technologies. FA solutions facilitate, for example, make-to-order production via digital on-demand printing, accommodation to high-mix low-volume orders on a one-stop basis, and smart transformation of printing processes and factories. By strengthening the FA business, it will promote digital on-demand printing solutions to the SG, IP, and TA markets.

With strength in such a complex technological base, the Company has acquired top positions in global niche markets. It has been selling products at an early stage in relatively small markets with strong growth potential, which are not easy for large companies to move into. This is the result of efforts to reduce development cost and shorten lead times from development to release, both by the use of platforms, as well as sales activities closely aligned with regions around the world. Accordingly, the Company has global and local sales capabilities (including mini-exhibitions*), and over 30% of its employees are engaged in development, so its development system can be said to be a strength. Whereas its major competitors invest substantial amounts in development to create a large market, the Company's approach is to invest 7–8% of net sales in a number of smaller markets to diversify risk and increase the probability of success. This approach appears to lie in the background of its various strengths.

* Mini-exhibitions are private, small-scale exhibitions held by the Company alone. They stand in contrast to large-scale exhibitions where many companies gather.

Results trends

Solid result other than Europe; achieved double-digit growth in operating profit

1. FY3/24 results

In FY3/24, net sales were ¥75,631mn (up 7.1% YoY), operating profit was ¥5,480mn (up 29.2%), ordinary profit was ¥4,882mn (up 28.8%), and profit attributable to owners of parent was ¥3,707mn (up 32.1%). Record highs were set for net sales, and all categories of profit from operating profit downward. The major exchange rates affecting results were ¥144.62 per U.S. dollar (¥135.48 in the previous fiscal year) and ¥156.79 per euro (¥140.97 in the previous fiscal year).

FY3/24 results

	FY3/23		FY3/24		
	Results	Ratio to net sales	Results	Ratio to net sales	Change %
Net sales	70,607	100.0%	75,631	100.0%	7.1%
Gross profit	28,449	40.3%	32,633	43.1%	14.7%
SG&A expenses	24,208	34.3%	27,152	35.9%	12.2%
Operating profit	4,241	6.0%	5,480	7.2%	29.2%
Ordinary profit	3,789	5.4%	4,882	6.5%	28.8%
Profit attributable to owners of parent	2,807	4.0%	3,707	4.9%	32.1%

Source: Prepared by FISCO from the Company's financial results

The world economic outlook remains generally clouded by factors including heightened geopolitical risks, continuing high levels of inflation, and the impact of monetary policies of central banks and governments. Whereas the economy has mainly been strong in North America, driven by consumer spending, Europe's economic slowdown continued due to the protracted Russia-Ukraine crisis. The Japanese economy continues to experience sustained recovery, underpinned by a recovery in consumer spending and capital investment. It has also received a boost from the return of inbound demand and increased export demand. Against this backdrop, the Company continued efforts based on priority initiatives of its medium- to long-term growth strategy Mimaki V10, formulated in December 2020, bringing new products to the market and expanding sales, running its business while anticipating sudden changes in market environment and customer needs, and building a foundation to improve profitability.

Regarding products, the Company launched simultaneous worldwide sales of UJV100-160Plus and the UCJV330 Series. The former is an entry-level UV printer for the SG market that has evolved to feature low electricity consumption, while the latter is an innovative UV printer that will drive the SG market by allowing for diverse expressions on multiple mediums. As for ink, the Company acquired a performance guarantee from 3M Company. For the IP market, the Company announced the M2COA Series, a package system that automates ordered goods and industrial product printing in combination with a robot arm. Further, the Company added to its lineup the JFX600-2531, a larger sized version of JFX600, the high-speed and high-quality flatbed UV printer, with a bed size of 2.5 meters by 3.1 meters. The Company also started selling Kebab HS, an optional system for 360-degree printing that enables printing on tapered materials and boasts up to three times more productivity. For the TA market, the Company launched the direct-to-film (DTF) printer TxF150-75 and announced TRAPIS, a next-generation textile printing pigment transfer system that cuts wastewater by around 90% and is easy to operate.

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6638 Tokyo Stock Exchange Prime Market

24-Jul.-2024

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Results trends

In terms of sales activities, the Company relocated the JP Demonstration Center, one of the largest showrooms of its kind in Japan. Utilizing the new center, it aims to accommodate the recovery in demand and expand business going forward. In Europe, the Company announced new products and technologies. The venue was the ITMA, the equipment exhibition for the textile and apparel market, the largest in the world, held every four years, most recently in Milan, Italy. Additionally, the Company exhibited the Neo-Chromato Process for the first time in Japan at the DECARBONISATION EXPO, a specialized exhibition for realizing carbon-free management. This technology can remove the color from printed textiles. In addition, the Company established a sales subsidiary in Vietnam, where the economy is rapidly growing. It also opened a new sales office in Okinawa as the 17th location in Japan, as well as Agata Technical Training Center, as a technical showroom. In October, the Company hosted the Mimaki Festival for the first time in five years to contribute to the local community.

On the sales front, sales of printer main units were down in the SG market, where sales expanded due to the processing of backorders in the previous 2H, as well as in the IP market, where new products sold well in FY3/23. However, the TxF150-75 launched on the TA market continued to sell well, primarily in developed countries, and ink, a supply, sold steadily. By area, sales in Europe were down slightly from FY3/23, affected by the economic slowdown, but in Japan sales continued to fare well primarily in the IP and TA markets. In Asia and Oceania, sales in China, which were low due to the COVID-19 crisis, recovered significantly. In North America as well, with the economy expanding, sales were solid, led by the products for the TA market. As a result, net sales increased, due in part to the positive impact of the foreign exchange rate throughout the year.

As for profits, the cost of sales ratio improved, though the impact of the high cost of materials like semiconductors procured in FY3/23 continued into 3Q. Declined ocean freight costs and revised sales prices prompted by cost increases contributed to the improvement. We also kept the rise in SG&A expenses as a percentage of sales to a minimum despite the increase in its amount. SG&A expenses increased for several reasons. For instance, global inflation led to increases in personnel expenses. Also, the R&D expenses for new technologies and products went up. In addition, more costs incurred to hold and participate in global exhibitions, events, and mini-exhibitions to ramp up sales activities following the recovery and return to normalcy of the economy. However, with the positive impact of the exchange rates, profit grew by a large margin.

By market, the TA market was strong. By area, Japan and Asia were favorable

2. Trends in net sales by market and area

By market, net sales to the SG market were ¥29,581mn (up 4.0% YoY). Regarding main units, UV ink models like the UCJV330 Series and flagship models saw sales increase, but in Europe and North America, where sales expanded in the previous 2H as backorders were processed, sales declined, centering on existing models. At the same time, ink sales were steady and the exchange rate played a positive role, so net sales increased. Sales to the IP market were ¥20,036mn (down 0.5%). Regarding main units, sales of new products in FY3/23 grew, so compared to then, sales fell but remained at a high level. At the same time, ink sales were buoyant. The exchange rate had a positive impact, so sales were maintained equivalent to FY3/23.

Results trends

Net sales to the TA market were ¥9,471mn (up 43.2%). This was mainly from sales of the DTF machine TxF150-75, launched in FY3/23, selling well primarily in developed countries thanks to safe and secure operations not offered by other companies. It appears that production is struggling to keep up with the demand in areas including the U.S., where apparel production has declined yet there remains a strong demand for printed T-shirts. At the same time, a model of high-speed sublimation transfer printer, which began being sold in FY3/23, got off to a steady start. Additionally, ink sales were steady, and net sales increased by a large margin. Sales in the FA business were ¥4,533mn (down 2.5% YoY). Sales of printed circuit board (PCB) mounting equipment and semiconductor production equipment increased, but sales of PCB inspection equipment for specific clients in Taiwan declined. Also, sales of FA equipment and metal processing products, which were brisk in FY3/23, declined. Net sales in other businesses were ¥12,009mn (up 11.6%). Maintenance parts and purchased products grew steadily in line with the overall sales increase.

FY3/24 net sales breakdown by segment

	FY3/23		FY3/24		Change %
	Results	%	Results	%	
(¥mn)					
By market					
SG market	28,451	40.3%	29,581	39.1%	4.0%
IP market	20,132	28.5%	20,036	26.5%	-0.5%
TA market	6,611	9.4%	9,471	12.5%	43.2%
FA business	4,650	6.6%	4,533	6.0%	-2.5%
Other	10,760	15.2%	12,009	15.9%	11.6%
By product					
Machines	29,500	41.8%	30,490	40.3%	3.4%
Inks	25,242	35.8%	27,998	37.0%	10.9%
Spare parts	5,754	8.2%	6,183	8.2%	7.5%
Other	10,109	14.3%	10,958	14.5%	8.4%
By area					
Japan	19,602	27.8%	21,074	27.9%	7.5%
North America	14,590	20.7%	15,566	20.6%	6.7%
Europe	18,174	25.7%	17,916	23.7%	-1.4%
Asia and Oceania	11,983	17.0%	12,860	17.0%	7.3%
Other	6,255	8.9%	8,214	10.9%	31.3%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

By area, net sales in Japan were ¥21,074mn (up 7.5% YoY). In Japan, main units showed steady growth, centered on several key products: the UCJV330 Series for the SG market, the small flatbed (FB) model UJF-6042MkII e for the IP market, and a new product, the TxF150-75 for the TA market. Ink sales stagnated in the SG market, but were brisk in the IP and TA markets. In the FA business, there was sales growth from PCB mounting equipment and semiconductor production equipment. Net sales in North America came to ¥15,566 (up 6.7%; down 0.1% on a local currency basis). In North America, the economy continued expanding at a steady pace led by consumer spending. With this the case, there was major growth from strong sales of the new TxF150-75 and the flagship model TS330-1600. For the SG and IP markets, main unit sales slowed as a reaction to their strength in FY3/23, but they seemed to turn the corner in 2Q and subsequently net sales increased. Ink sales were buoyant.

Results trends

In Europe, the demand for capital investment was weak in each country due to economic factors. While the exchange rate was a positive factor, net sales declined to ¥17,916mn (down 1.4% YoY, down 11.4% on a local currency basis). For the TA market, sales grew significantly centering on new products, but as a reaction to sales level in FY3/23, the SG market and IP market saw sales decline. By country, Portugal, France, and Poland performed well, but sales fell in Italy, the U.K., and Turkey. Even so, in 4Q there was a recovery to a slight decrease on a local currency basis. Considering the positive impact of the exchange rate, this was a major turnaround to rising net sales. In Asia and Oceania, net sales came to ¥12,860mn (up 7.3%). Sales declined in Australia and Thailand but increased by a large margin in China, which had recovered from its zero-COVID policy. Sales were also strong in India, Indonesia, and the Philippines, so in each of SG, IP, and TA markets there was sales growth. In the FA business, where sales were brisk in FY3/23, sales to specific clients in Taiwan declined. Net sales from other businesses were ¥8,214mn (up 31.3%). Sales seem to have increased in Latin America, mainly in Brazil and Mexico, leading to a major increase in revenue. Revenue also appears to have increased in the Middle East and Africa.

Expecting double-digit operating profit growth as net sales go up in all regions and profitability improves

3. FY3/25 results outlook

For the FY3/25 consolidated results, the Company forecasts net sales of ¥80,800mn (up 6.8% YoY), operating profit of ¥6,500mn (up 18.6%), ordinary profit of ¥5,800mn (up 18.8%), and profit attributable to owners of parent of ¥4,000mn (up 7.9%). The main exchange rate assumptions are ¥138 per U.S. dollar and ¥150 per euro, which seems somewhat conservative, but the forecasts themselves are at the level the Company wants to steadily secure for its medium- to long-term growth strategy Mimaki V10.

FY3/25 outlook

	FY3/24		FY3/25		
	Results	Ratio to net sales	Forecasts	Ratio to net sales	Change %
Net sales	75,631	100.0%	80,800	100.0%	6.8%
Gross profit	32,633	43.1%	-	-	-
SG&A expenses	27,152	35.9%	-	-	-
Operating profit	5,480	7.2%	6,500	8.0%	18.6%
Ordinary profit	4,882	6.5%	5,800	7.2%	18.8%
Profit attributable to owners of parent	3,707	4.9%	4,000	5.0%	7.9%

Source: Prepared by FISCO from the Company's financial results

The global economy remains unclear and impossible to predict. In North America and Europe, inflation is subsiding and interest rates are expected to be lowered as a result. At the same time, the growth rate of China's economy is slowing. In addition, geopolitical risk is increasing as observed in Ukraine and the Middle East, where the situations are worsening further. In addition, there is the political impact of the U.S. presidential elections. In this environment, based on the Company's Mimaki V10 medium- to long-term strategy, the Company plans to work to build a company foundation that can continue to produce high earnings while growing sales.

Results trends

Regarding net sales, along with the unstable global economy, the Company expects to be impacted by longer lead times for marine shipping in connection with the worsening situation in the Middle East, but by expanding sales of existing products, launching new products and further strengthening sales activities, it is expected to increase net sales in the SG, IP, and TA markets, as well as in the FA business. By region, along with Japan and Asia and Oceania, increased net sales are expected from all areas, including Europe, where a recovery is expected from economic slowing in FY3/24 and North America, where well-rooted economic expansion continues. On the profit front, the Company will factor in higher costs for marine shipping associated with the worsening situation in the Middle East, while, at the same time, sales of products using high-cost materials made progress in FY3/24, so the cost of sales ratio is expected to improve. In addition, the Company plans to increase expenditures that lead to sales, such as on strengthening sales activities, but the SG&A expense ratio is expected to remain mostly unchanged from FY3/24. As a result, thanks to increased net sales and improved profitability, the Company is projecting double-digit growth in operating profit.

FY3/25 breakdown of consolidated net sales outlook by segment

	FY3/24		FY3/25		Change %
	Results	%	Results	%	
(¥mn)					
By market					
SG market	29,581	39.1%	30,501	37.7%	3.1%
IP market	20,036	26.5%	21,807	27.0%	8.8%
TA market	9,471	12.5%	12,771	15.8%	34.8%
FA business	4,533	6.0%	5,345	6.6%	17.9%
Other	12,009	15.9%	10,373	12.8%	-13.6%
By area					
Japan	21,074	27.9%	22,609	28.0%	7.3%
North America	15,566	20.6%	16,217	20.1%	4.2%
Europe	17,916	23.7%	18,965	23.5%	5.9%
Asia and Oceania	12,860	17.0%	14,014	17.3%	9.0%
Other	8,214	10.9%	8,993	11.1%	9.5%

Source: Prepared by FISCO from the Company's results briefing materials

By market, sales to the SG market are projected to be ¥30,501mn (up 3.1% YoY). Along with sales normalizing in Europe, the forecast appears to have factored in a full-year contribution from new products launched in FY3/24, as well as from new products to be launched this term. Sales to the IP market are expected to amount to ¥21,807mn (up 8.8%). Like with the SG market, sales in Europe will normalize and along with this the Company plans to launch a large flatbed UV inkjet printer, JFX600-2531, in June. The JFX600-2531 has a high unit price, so it is expected to be a boost to sales. Sales to the TA market are expected to come to ¥12,771mn (up 34.8%). The Company expects continued good sales of the TxF150-75, launched in FY3/24, and ink for the TxF150-75 will contribute as well, so a large increase in revenue is expected. Net sales for the FA market are expected at ¥5,345mn (up 17.9%). Temporary factors from FY3/24 will be eliminated, so net sales are expected to increase by double-digits.

By area, sales are expected to continue to expand in Japan and Asia and Oceania, while increased net sales are predicted for all areas. In Japan, sales are expected to come to ¥22,609mn (up 7.3% YoY) as favorable conditions will continue. In North America, firmly rooted economic expansion is expected to continue, so sales are forecast at ¥16,217mn (up 4.2%, up 9.2% on a local currency basis). In Europe, partly in reaction to being largely impacted by economic slowing the previous fiscal year, sales will make a recovery to ¥18,965mn (up 5.9%, up 10.6% on a local currency basis). In Asia and Oceania, China is expected to fare well, and India, Thailand, and Indonesia are expected to be solid, so sales are predicted at ¥14,014 (up 9.0%). Elsewhere, steady sales are expected in Latin America, with sales projected to be ¥8,993mn (up 9.5%).

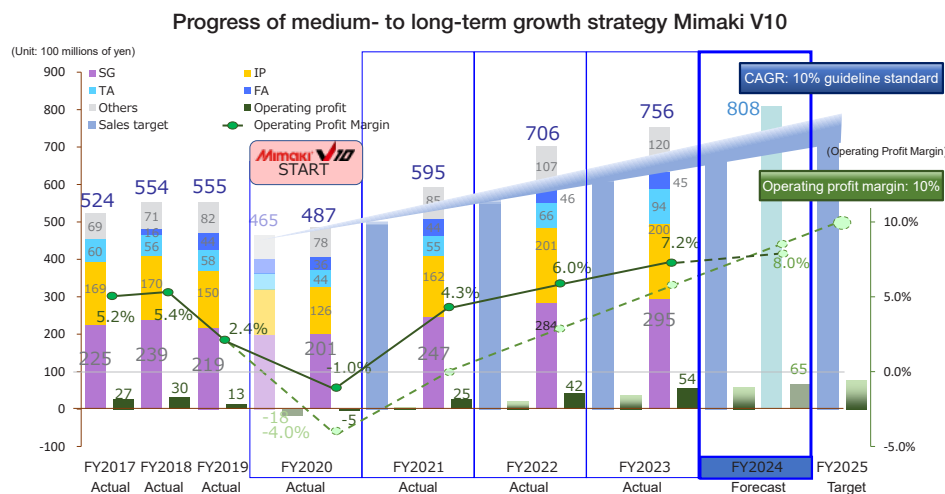
Medium- to long-term growth strategy

FY3/25 a year of evolution toward the next generation Mimaki

1. Medium- to long-term growth strategy Mimaki V10

The Company formulated its medium- to long-term growth strategy Mimaki V10 in December 2020, when its earnings slumped amid the pandemic. The basic statement is “By providing solutions unique to Mimaki through the combined systems that integrate pre-processing, printing (print x cut x coat), and post-processing, we will drive the shift to digital on-demand printing for industry.” The management vision is striving to be a development-driven organization that is adaptable and which robustly demonstrates the individuality and abilities of employees. With this statement and vision, the Company will work to grow with an emphasis on profitability and strengthen its financial foundation, and will achieve a V-shaped recovery from the stagnation of the pandemic and aim for further growth. To attain these goals, for profitability, the Company will become more cost-efficient by improving ink quality, reducing fixed costs, and progressing reforms of its production and sales structures. For growth potential, the Company works to build up an S-shaped curve in existing markets with new products, expand the FA and 3D printer businesses, and provide digital on-demand printing solutions. For a firmer financial base, the Company will implement measures such as tightening inventory control. FY3/26 targets are an operating profit margin of 10%, ordinary profit margin of 8%, and CAGR of net sales of 10%.

Up to now, the Company has continued priority initiatives in line with its management vision, including launching new products on the market, expanding sales, developing business with a focus on rapid changes in the market environment and customer needs, and building a foundation for improved profitability. It has overcome the pandemic and achieved a V-shaped recovery. Moreover, it has built mechanisms and platforms for further growth in the future and has created systems for solving problems. Currently, double-digit profit growth is continuing and the gross margin is going up toward the target of 10%, meaning the targets of Mimaki V10 have come into view. Therefore, accelerating to the completion of Mimaki V10, the Company chose “Ever Evolving” as the Group’s FY3/25 management policy. Under this policy, it has positioned FY3/25 as a year for achieving evolution toward the new next generation Mimaki reflecting on issues to date. The Company will steadily develop the organization and projects for this evolution. In part to achieve this, the Company will continue to promote management aware of capital costs and the stock price.



Source: Company's results briefing materials

Improve ROE and ROIC and work to raise PER

2. Management aware of capital costs and the stock price

The Company, in its evaluation thus far, thinks:

- 1) PBR of around 1x, unstable trend; PER low compared to market
- 2) Growth investment and shareholder returns insufficient; apparently poor capital efficiency
- 3) Improving ROE and PER important to raising PBR
- 4) To improve ROE, must raise yearly profitability and optimize financial leverage
- 5) Important to improve ROIC, which is low compared to capital costs
- 6) Factors involved in the low PER are expected growth rate, shareholder return expectations, and profit instability

For this reason, as for the direction of initiatives, the Company will strengthen management aware of capital costs and the stock price. Concretely, each division will improve ROE and ROIC by pursuing growth and improvement. At the same time, the head office will work on raising PER. As measures for this, the Company plans to promote the following six:

- 1) Improve earnings by achieving the targets of Mimaki V10
- 2) Make strategic investments for future growth
- 3) Strengthen the financial foundation by bringing inventory and borrowings to appropriate levels
- 4) Introduce an executive remuneration plan that contributes to higher corporate value
- 5) Pay a stable and continuing dividend based on the Company's shareholder return policy
- 6) Reduce capital costs by promoting investor engagement

To this end, the Company restructured the organization at the start of FY3/25 and enhanced corporate functions.

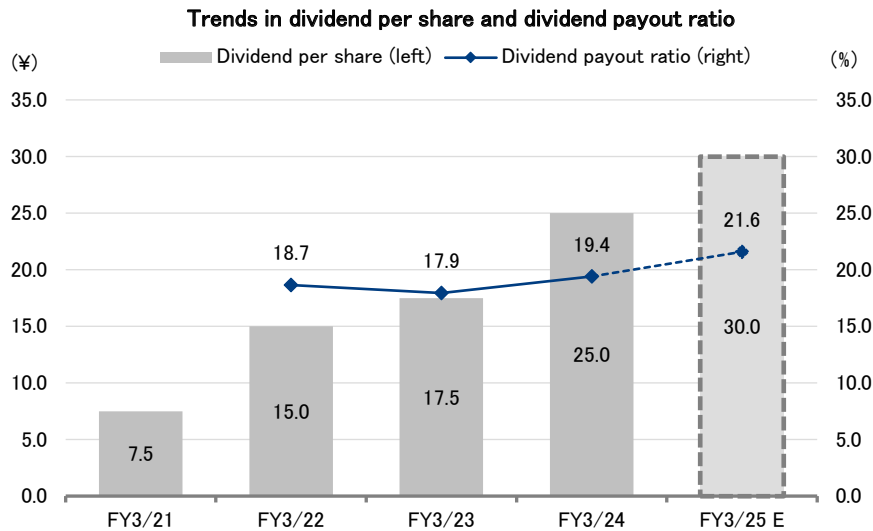
Specifically, to improve earnings by achieving the targets of Mimaki V10, the Company will raise the level of operating profit, which is a key component in return on capital indicators, and practice management aware of capital costs and the stock price. As for strategic investment to achieve future growth, the Company will continue to invest 7–8% of net sales in R&D. It will also conduct capital investment to strengthen development, technology, and production functions in Japan to prepare for business expansion. As the key to sustained growth, it will strengthen investment in securing and training human capital as well. With regard to solidifying the financial foundation, it will appropriately adjust inventories and borrowings. The Company will maintain a broad product line-up and will raise the sales ratio of services and other high value-added business. Simultaneously, in a company-wide project, it will clear out slow moving inventory and immovable stock to bring them to an optimal level. In addition, the Company will optimize inventory and expedite recovery of accounts receivable to raise the efficiency of working capital and thereby improve cash flow. These initiatives enable the Company to strengthen its financial position and appropriately adjust borrowings. At the same time, the management will maintain an optimal balance between shareholders' equity and borrowings, with an awareness of capital costs.

On the matter of introducing an executive remuneration system that contributes to higher corporate value, the Company considers introducing it so that executives share the value with shareholders, along with the enhancement of corporate functions. With regard to the stable, continuing dividend based on its shareholder return policy, the Company will continue to position returning profits to shareholders as an important policy of management, and going forward, the basic policy will be to provide a dividend on profits in proportion to earnings growth in a stable and continuing manner. On reducing capital costs by promoting dialogue with investors, the Company will steadily continue conventional IR activities, such as presenting results, presenting company information, responding to interview requests, and making disclosures in English. Added to these, the Company will hold small meetings domestically and online meetings internationally for institutional investors, and will also strengthen company presentations and English disclosures.

Returns to shareholders

Pay a stable, continuing dividend on profits in proportion to earnings growth

The Company has positioned shareholder returns as an important management policy. Its basic policy on shareholder returns is to pay stable and continuing dividends on its profits in proportion to earnings growth. In FY3/24, therefore, the Company paid a dividend of ¥25.0 per share (interim dividend of ¥10.0, period-end dividend of ¥15.0), an increase of ¥7.5 from FY3/23. For FY3/25, the Company is planning a dividend of ¥30.0 per share (interim dividend of ¥15.0, period-end dividend of ¥15.0).



Note: No dividend payout ratio is calculated for FY3/21 because of negative EPS.
Source: Prepared by FISCO from the Company's financial results



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